

**TOWN OF EAST LONGMEADOW,**  
**MASSACHUSETTS**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2011**

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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of East Longmeadow, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Longmeadow, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of East Longmeadow, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of East Longmeadow, Massachusetts, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2012, on our consideration of the Town of East Longmeadow, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Longmeadow, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scanlon & Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 5, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of East Longmeadow, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$34,863,572 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$39,652,354 or a decrease of \$4,788,782 (12%) over last fiscal year's total net assets.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$27,898,918 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$9,795,311 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of (\$2,830,657) represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$11,694,755 this year. This compares to the prior year ending fund balance of \$10,251,849 showing an increase of \$1,442,906 (14%) during the current year.
- The General Fund's total fund balance decreased \$11,705 (.16%) to \$7,384,519. The ending General fund balance is 15% of revenues and other sources and 15% of expenditures and other uses.
- Total liabilities of the Town increased by \$6,003,936 to \$54,582,457 during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve, as an introduction to the Town of East Longmeadow's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to

recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the water and sewer activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of East Longmeadow adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Town maintains one type of propriety fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



**Financial Highlights**  
**Statement of Net Assets Highlights**

|  | <b>Governmental Activities</b> |                   |                    |
|--|--------------------------------|-------------------|--------------------|
|  | <b>2011</b>                    | <b>2010</b>       | <b>Change</b>      |
| <b>Assets:</b>                               |                                |                   |                    |
| Current assets                               | \$ 18,963,273                  | \$ 17,595,531     | \$ 1,367,742       |
| Noncurrent assets (excluding capital assets) | 5,453,283                      | 5,456,027         | (2,744)            |
| Capital assets                               | 40,950,262                     | 41,366,209        | (415,947)          |
| <b>Total assets</b>                          | <b>65,366,818</b>              | <b>64,417,767</b> | <b>949,051</b>     |
| <b>Liabilities:</b>                          |                                |                   |                    |
| Current liabilities (excluding debt)         | 2,198,491                      | 2,283,826         | (85,335)           |
| Noncurrent liabilities (excluding debt)      | 14,129,260                     | 8,597,706         | 5,531,554          |
| Current debt                                 | 6,104,348                      | 5,937,965         | 166,383            |
| Noncurrent debt                              | 21,496,628                     | 21,331,807        | 164,821            |
| <b>Total liabilities</b>                     | <b>43,928,727</b>              | <b>38,151,304</b> | <b>5,777,423</b>   |
| <b>Net Assets:</b>                           |                                |                   |                    |
| Capital assets net of related debt           | 19,246,337                     | 20,409,505        | (1,163,168)        |
| Restricted                                   | 8,313,380                      | 3,264,369         | 5,049,011          |
| Unrestricted                                 | (6,121,626)                    | 2,592,589         | (8,714,215)        |
| <b>Total net assets</b>                      | <b>21,438,091</b>              | <b>26,266,463</b> | <b>(4,828,372)</b> |

|  | <b>Business-Type Activities</b> |                   |                |
|--|---------------------------------|-------------------|----------------|
|  | <b>2011</b>                     | <b>2010</b>       | <b>Change</b>  |
| <b>Assets:</b>                               |                                 |                   |                |
| Current assets                               | \$ 4,930,902                    | \$ 4,768,353      | \$ 162,549     |
| Noncurrent assets (excluding capital assets) | 227,484                         | 236,452           | (8,968)        |
| Capital assets                               | 18,920,825                      | 18,808,303        | 112,522        |
| <b>Total assets</b>                          | <b>24,079,211</b>               | <b>23,813,108</b> | <b>266,103</b> |
| <b>Liabilities:</b>                          |                                 |                   |                |
| Current liabilities (excluding debt)         | 359,029                         | 379,532           | (20,503)       |
| Noncurrent liabilities (excluding debt)      | 26,457                          | 27,432            | (975)          |
| Current debt                                 | 844,348                         | 856,008           | (11,660)       |
| Noncurrent debt                              | 9,423,896                       | 9,164,245         | 259,651        |
| <b>Total liabilities</b>                     | <b>10,653,730</b>               | <b>10,427,217</b> | <b>226,513</b> |
| <b>Net Assets:</b>                           |                                 |                   |                |
| Capital assets net of related debt           | 8,652,581                       | 8,788,050         | (135,469)      |
| Restricted                                   | 1,481,931                       | 1,037,667         | 444,264        |
| Unrestricted                                 | 3,290,969                       | 3,560,174         | (269,205)      |
| <b>Total net assets</b>                      | <b>13,425,481</b>               | <b>13,385,891</b> | <b>39,590</b>  |

**Financial Highlights**  
**Statement of Activities Highlights**

|                                       | <b>Governmental Activities</b> |                      |                       |
|---------------------------------------|--------------------------------|----------------------|-----------------------|
|                                       | <b>2011</b>                    | <b>2010</b>          | <b>Change</b>         |
| <b>Program Revenues:</b>              |                                |                      |                       |
| Charges for services                  | \$ 2,714,775                   | \$ 2,717,277         | \$ (2,502)            |
| Operating grants and contributions    | 17,837,996                     | 16,332,387           | 1,505,609             |
| Capital grants and contributions      | 443,061                        | 430,640              | 12,421                |
| <b>General Revenues:</b>              |                                |                      |                       |
| Property taxes                        | 31,784,060                     | 31,247,974           | 536,086               |
| Motor vehicle excise and other taxes  | 1,854,580                      | 1,792,228            | 62,352                |
| Penalties and interest on taxes       | 203,041                        | 228,036              | (24,995)              |
| Nonrestricted grants                  | 1,511,543                      | 1,468,586            | 42,957                |
| Unrestricted investment income        | 89,587                         | 155,733              | (66,146)              |
| Miscellaneous                         | 497                            | 10,363               | (9,866)               |
| <b>Total revenues</b>                 | <b>56,439,140</b>              | <b>54,383,224</b>    | <b>2,055,916</b>      |
| <b>Expenses:</b>                      |                                |                      |                       |
| General government                    | 2,214,234                      | 2,056,719            | 157,515               |
| Public safety                         | 3,540,379                      | 3,603,345            | (62,966)              |
| Public works                          | 5,078,009                      | 4,712,512            | 365,497               |
| Education                             | 30,098,827                     | 29,420,595           | 678,232               |
| Health and human services             | 503,434                        | 479,210              | 24,224                |
| Culture and recreation                | 1,463,514                      | 1,413,171            | 50,343                |
| Employee benefits and insurance       | 17,093,317                     | 16,583,391           | 509,926               |
| State assessments                     | 232,775                        | 265,044              | (32,269)              |
| Interest                              | 1,043,023                      | 1,026,299            | 16,724                |
| <b>Total expenses</b>                 | <b>61,267,512</b>              | <b>59,560,286</b>    | <b>1,707,226</b>      |
| <b>Transfers, net</b>                 | <b>-</b>                       | <b>(270)</b>         | <b>270</b>            |
| <b>Change in net assets</b>           | <b>(4,828,372)</b>             | <b>(5,177,332)</b>   | <b>348,960</b>        |
| <b>Net assets - beginning of year</b> | <b>26,266,463</b>              | <b>31,443,795</b>    | <b>(5,177,332)</b>    |
| <b>Net assets - end of year</b>       | <b>\$ 21,438,091</b>           | <b>\$ 26,266,463</b> | <b>\$ (4,828,372)</b> |

|                                       | Business-Type Activities |                      |                  |
|---------------------------------------|--------------------------|----------------------|------------------|
|                                       | 2011                     | 2010                 | Change           |
| <b>Program Revenues:</b>              |                          |                      |                  |
| Charges for services                  | \$ 3,607,929             | \$ 3,043,878         | \$ 564,051       |
| Operating grants and contributions    | 2,905                    | 3,056                | (151)            |
| <b>Total revenues</b>                 | <b>3,610,834</b>         | <b>3,046,934</b>     | <b>563,900</b>   |
| <b>Expenses:</b>                      |                          |                      |                  |
| Water                                 | 2,016,203                | 1,758,245            | 257,958          |
| Sewer                                 | 1,555,041                | 1,443,829            | 111,212          |
| <b>Total expenses</b>                 | <b>3,571,244</b>         | <b>3,202,074</b>     | <b>369,170</b>   |
| <b>Transfers, net</b>                 | <b>-</b>                 | <b>270</b>           | <b>(270)</b>     |
| <b>Change in net assets</b>           | <b>39,590</b>            | <b>(154,870)</b>     | <b>194,460</b>   |
| <b>Net assets - beginning of year</b> | <b>13,385,891</b>        | <b>13,540,761</b>    | <b>(154,870)</b> |
| <b>Net assets - end of year</b>       | <b>\$ 13,425,481</b>     | <b>\$ 13,385,891</b> | <b>\$ 39,590</b> |

### ***Government-wide Financial Analysis***

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$34,863,572 at the close of the year.

Net assets of \$27,898,918 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$9,795,311 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,830,657) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two of the three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The business-type activities are able to report positive balances in all three categories of net assets.

The governmental activities net assets decreased by \$4,828,372 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenue by \$4,828,372. Of this decrease, \$5,571,250 is the result of recognizing this year's OPEB obligation.

There was an increase of \$39,590 in net assets reported in connection with the water and sewer business-type activities. Of this, there was an increase of \$275,028 attributed to the water department and a decrease of \$235,438 attributed to the sewer department.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$11,694,755 an increase of \$1,442,906 (14%) in comparison with the prior year. The increase is mainly due to the proceeds from the issuance of bonds in the amount of \$2,730,000.

Breakdown of the governmental funds are as follows:

- Restricted fund balance- \$7,333,421 (63%).
- Assigned fund balance - \$1,924,836 (16%).
- Unassigned fund balance - \$2,436,498 (21%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$7,384,519 decreasing \$11,705 (.16%) from the prior year. Of the \$7,384,519 the unassigned amount is \$5,459,683 and the assigned amount is \$1,924,836. General revenues were \$837,969 (2%) more than the prior fiscal year and expenditure increase by \$791,162 (2%)

Increases in general fund revenues were as follows:

- Property taxes \$566,734 (2%)
- Intergovernmental revenue \$892 (.01%)
- Excise and other tax revenue \$46,657 (3%)
- Charges for Services revenue \$92,944 (21%)
- On behalf payments \$212,785 (5%).

Decreases in general fund revenues were as follows:

- Interest on investments \$56,719 (39%)
- Interest on taxes \$25,324 (11%)

Increases in governmental fund expenditures were as follows:

- General government expenditures \$97,465 (6%)
- Public safety expenditures \$62,819 (2%)
- Public works expenditures \$376,112 (9%)
- Health and human services expenditures \$10,354 (3%)
- Culture and recreation \$17,675 (2%)
- Employees' benefits and insurance \$305,727 (3%)

Decrease in governmental fund expenditures was as follows:

- Education expenditures \$14,202 (.1%)
- State assessments \$32,269 (12%)
- Principal on debt service by \$16,541 (1%)
- Interest on debt service \$15,978 (1%)

### **Proprietary Funds**

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

### ***Major Proprietary Funds***

The *Water Fund* is the financing and operations of the Town's water system. The water fund shows an increase of \$275,028 in total operations, the result of operating revenues exceeding operating expenditures of \$503,606, intergovernmental revenues of \$1,607 and interest expense of \$230,185.

The *Sewer fund* is the financing and operations of the Town's sewer system. The sewer fund shows a decrease of \$235,438 in total operations, the result of operating expenditures exceeding revenues of \$5,491, intergovernmental revenues of \$1,298, and interest expense of \$231,245.

### ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2011 was \$46,804,591. This was an increase of \$745,765 (1%) over the previous year's budget.

There was an increase of \$70,574 between the original budget and the final amended budget. The change is attributed to the Town amending specific budget line items of the final budget as follows:

- General government was increased \$65,000.
- Public works was increased \$5,262.
- Culture and recreation was increased \$312.

Of the \$1,119,256 in under budget expenditures \$941,329 has been encumbered and carried over to fiscal year 2012.

There is a negative variance in interest on taxes due to more timely payments and in interest on investments due to the economic conditions.

There was a negative variance in public works of \$256,957 primarily from snow and ice expenditures exceeding the amount budgeted. There was a negative variance in culture and recreation expenditures of \$1,469. Additionally, the principal debt service ended the year in budget deficit of \$21,549 due to the issuance of new long term debt.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The Town's investment in capital assets as of June 30, 2011 amounts to \$40,950,262 in governmental type funds and \$18,920,825 in business type funds.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Information technology for \$105,740.
- Three police vehicles for \$70,995.
- Police and Fire phone system for \$34,500.
- Various renovations to School buildings for \$1,312,107.
- Senior Center renovations for \$221,258.
- Recreational field improvements for \$33,940.

Major capital events during the current fiscal year in the business-type funds included the following:

- Sewer pump station modifications for \$694,405.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2011, totaled \$24,061,808, of which \$14,052,000 is for school projects, \$1,320,000 is for the new library, \$278,808 for the GIS projects, \$881,000 for remodeling projects, \$21,000 for parking lot and lighting,

\$31,000 in town building improvements, Mountainview school roof replacement for \$435,000, backhoe/loader/front end for \$33,000, IT fiber connectivity for \$18,000, departmental equipment for \$75,000, senior center for \$243,000, Fire Engine Rehabilitation for \$7,000, Town hall remodeling for \$15,000, telecommunications for \$32,000, a municipal purpose loan for \$3,890,000 issued in fiscal year 2009 and a municipal purpose loan for \$2,730,000 issued in fiscal year 2011.

The Town's governmental debt also includes a bond anticipation note for various capital projects in the amount of \$3,539,168.

The business-type funds have \$10,268,244 in long-term debt. Of this, \$5,108,773 consists of water debt and \$5,159,471 of sewer debt.

Please refer to notes 3C, 3E and 3F for further discussion of the major capital and debt activity.

### ***Town Meeting – Fiscal Year 2012***

The Town of East Longmeadow operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2011 do not reflect the fiscal year 2012 Town Meeting action. The Annual Town Meeting on May 16, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

|   |    |            |
|---|----|------------|
| From the tax levy                               | \$ | 47,791,372 |
| From community preservation funds               |    | 363,333    |
| From water revenue                              |    | 1,425,190  |
| From water retained earnings                    |    | 130,685    |
| From water capital projects                     |    | 43,963     |
| From sewer revenue                              |    | 1,102,774  |
| From sewer retained earnings                    |    | 152,456    |
| From sewer capital projects                     |    | 48,818     |
| From other available funds:                     |    |            |
| (Designated for Subsequent Years' Expenditures) |    |            |
| <b>General Fund:</b>                            |    |            |
| Unassigned fund balance:                        |    |            |
| (Free cash)                                     |    | 983,507    |
| <b>Non-major Governmental Funds:</b>            |    |            |
| Animal control fund                             | \$ | 30,000     |
| Trash revolving                                 |    | 150,000    |
| Kindergarten revolving                          |    | 220,000    |
| Capital project fund                            |    | 620,071    |
|   |    | <hr/>      |
|   | \$ | 1,020,071  |
|   |    | <hr/>      |
|   | \$ | 53,062,169 |
|   |    | <hr/>      |

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of East Longmeadow's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 60 Center Square, East Longmeadow, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS</b>                                     |                            |                             |                      |
| CURRENT:  |                            |                             |                      |
| Cash and Cash Equivalents                         | \$ 13,819,510              | \$ 4,215,852                | \$ 18,035,362        |
| Investments                                       | 2,681,013                  | -                           | 2,681,013            |
| Receivables, net of allowance for uncollectibles: |                            |                             |                      |
| Property Taxes                                    | 1,031,012                  | -                           | 1,031,012            |
| Deferred Property Taxes                           | 27,475                     | -                           | 27,475               |
| Tax Liens   | 295,764                    | -                           | 295,764              |
| Excise and Other Taxes                            | 119,053                    | -                           | 119,053              |
| User Charges                                      | -                          | 636,791                     | 636,791              |
| Departmental                                      | 18,211                     | -                           | 18,211               |
| Special Assessments                               | -                          | 78,259                      | 78,259               |
| Due from Other Governments                        | 971,235                    | -                           | 971,235              |
| Total current assets                              | 18,963,273                 | 4,930,902                   | 23,894,175           |
| NONCURRENT:                                       |                            |                             |                      |
| Receivables, net of allowance for uncollectibles: |                            |                             |                      |
| Special Assessments                               | -                          | 227,484                     | 227,484              |
| Due from Other Governments                        | 5,453,283                  | -                           | 5,453,283            |
| Capital Assets, net of accumulated Depreciation:  |                            |                             |                      |
| Nondepreciable                                    | 7,139,160                  | 694,405                     | 7,833,565            |
| Depreciable                                       | 33,811,102                 | 18,226,420                  | 52,037,522           |
| Total noncurrent assets                           | 46,403,545                 | 19,148,309                  | 65,551,854           |
| <b>Total Assets</b>                               | <b>65,366,818</b>          | <b>24,079,211</b>           | <b>89,446,029</b>    |
| <b>LIABILITIES</b>                                |                            |                             |                      |
| CURRENT:  |                            |                             |                      |
| Warrants Payable                                  | 1,066,814                  | 256,378                     | 1,323,192            |
| Accrued Payroll                                   | 202,258                    | 9,252                       | 211,510              |
| Employee Withholdings                             | 157,461                    | -                           | 157,461              |
| Tax Refund Payable                                | 38,700                     | -                           | 38,700               |
| Accrued Interest                                  | 364,712                    | 62,352                      | 427,064              |
| Compensated Absences                              | 368,546                    | 31,047                      | 399,593              |
| Bond Anticipation Notes Payable                   | 3,539,168                  | -                           | 3,539,168            |
| Bonds Payable                                     | 2,565,180                  | 844,348                     | 3,409,528            |
| Total current liabilities                         | 8,302,839                  | 1,203,377                   | 9,506,216            |
| NONCURRENT:                                       |                            |                             |                      |
| Compensated Absences                              | 87,504                     | 26,457                      | 113,961              |
| OPEB Obligation Payable                           | 14,041,756                 | -                           | 14,041,756           |
| Bonds Payable                                     | 21,496,628                 | 9,423,896                   | 30,920,524           |
| Total noncurrent liabilities                      | 35,625,888                 | 9,450,353                   | 45,076,241           |
| <b>Total Liabilities</b>                          | <b>43,928,727</b>          | <b>10,653,730</b>           | <b>54,582,457</b>    |
| <b>NET ASSETS:</b>                                |                            |                             |                      |
| Invested in Capital Assets, net of related debt   | 19,246,337                 | 8,652,581                   | 27,898,918           |
| Restricted for:                                   |                            |                             |                      |
| Capital Projects                                  | 2,811,227                  | 1,481,931                   | 4,293,158            |
| Federal & State Grants                            | 1,245,271                  | -                           | 1,245,271            |
| Community Preservation                            | 1,070,983                  | -                           | 1,070,983            |
| Permanent Funds                                   | 21,992                     | -                           | 21,992               |
| Other Purposes                                    | 3,163,907                  | -                           | 3,163,907            |
| Unrestricted                                      | (6,121,626)                | 3,290,969                   | (2,830,657)          |
| <b>Total Net Assets</b>                           | <b>\$ 21,438,091</b>       | <b>\$ 13,425,481</b>        | <b>\$ 34,863,572</b> |

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

| Program Revenues   |               |                      |                                    |                                  | Net (Expenses) Revenues and Changes in Net Assets |                          |               |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------|
|  | Expenses      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total         |
| Governmental Activities:                                   |               |                      |                                    |                                  |   |                          |               |
| General Government   | \$ 2,214,234  | \$ 178,052           | \$ 502,443                         | \$ -                             | \$ (1,533,739)                                    | \$ -                     | (1,533,739)   |
| Public Safety  | 3,540,379     | 299,066              | 33,223                             | -                                | (3,208,090)                                       | -                        | (3,208,090)   |
| Public Works   | 5,078,009     | 181,173              | -                                  | 443,061                          | (4,453,775)                                       | -                        | (4,453,775)   |
| Education  | 30,098,827    | 1,584,881            | 12,365,841                         | -                                | (16,148,105)                                      | -                        | (16,148,105)  |
| Health and Human Services                                  | 503,434       | 60,660               | 82,548                             | -                                | (360,226)   | -                        | (360,226)     |
| Culture and Recreation                                     | 1,463,514     | 410,943              | 41,369                             | -                                | (1,011,202)                                       | -                        | (1,011,202)   |
| Employee Benefits and Insurance                            | 17,093,317    | -                    | 4,472,242                          | -                                | (12,621,075)                                      | -                        | (12,621,075)  |
| State Assessments  | 232,775       | -                    | -                                  | -                                | (232,775)   | -                        | (232,775)     |
| Interest   | 1,043,023     | -                    | 340,330                            | -                                | (702,693)   | -                        | (702,693)     |
| Total Governmental Activities                              | 61,267,512    | 2,714,775            | 17,837,996                         | 443,061                          | (40,271,680)                                      | -                        | (40,271,680)  |
| Business-Type Activities:                                  |               |                      |                                    |                                  |   |                          |               |
| Water  | 2,016,203     | 2,289,624            | 1,607                              | -                                | -   | 275,028                  | 275,028       |
| Sewer  | 1,555,041     | 1,318,305            | 1,298                              | -                                | -   | (235,438)                | (235,438)     |
| Total Primary Government                                   | \$ 64,838,756 | \$ 6,322,704         | \$ 17,840,901                      | \$ 443,061                       | (40,271,680)                                      | 39,590                   | (40,232,090)  |
| General Revenues:  |               |                      |                                    |                                  |   |                          |               |
| Property Taxes   |               |                      |                                    |                                  | 31,784,060  | -                        | 31,784,060    |
| Motor vehicle and other taxes                              |               |                      |                                    |                                  | 1,854,580   | -                        | 1,854,580     |
| Penalties & Interest on taxes                              |               |                      |                                    |                                  | 203,041   | -                        | 203,041       |
| Grants & Contributions not restricted to specific programs |               |                      |                                    |                                  | 1,511,543   | -                        | 1,511,543     |
| Unrestricted Investment Income                             |               |                      |                                    |                                  | 89,587  | -                        | 89,587        |
| Miscellaneous  |               |                      |                                    |                                  | 497   | -                        | 497           |
| Total General Revenues                                     |               |                      |                                    |                                  | 35,443,308  | -                        | 35,443,308    |
| Change in Net Assets                                       |               |                      |                                    |                                  | (4,828,372)                                       | 39,590                   | (4,788,782)   |
| Net Assets:  |               |                      |                                    |                                  |   |                          |               |
| Beginning of year  |               |                      |                                    |                                  | 26,266,463  | 13,385,891               | 39,652,354    |
| End of year  |               |                      |                                    |                                  | \$ 21,438,091                                     | \$ 13,425,481            | \$ 34,863,572 |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

|   | General<br>Fund      | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                                     |                      |                                   |                                |
| Cash and Cash Equivalents                         | \$ 6,046,047         | \$ 7,773,463                      | \$ 13,819,510                  |
| Investments                                       | 2,444,196            | 236,817                           | 2,681,013                      |
| Receivables, net of allowance for uncollectibles: |                      |                                   |                                |
| Property Taxes                                    | 1,028,232            | 2,780                             | 1,031,012                      |
| Deferred Property Taxes                           | 27,475               | -                                 | 27,475                         |
| Tax Liens   | 295,764              | -                                 | 295,764                        |
| Excise and Other Taxes                            | 119,053              | -                                 | 119,053                        |
| Departmental                                      | 300                  | 17,911                            | 18,211                         |
| Due from Other Governments                        | 5,934,460            | 490,058                           | 6,424,518                      |
| <b>Total Assets</b>                               | <b>\$ 15,895,527</b> | <b>\$ 8,521,029</b>               | <b>\$ 24,416,556</b>           |
| <b>LIABILITIES AND FUND BALANCE</b>               |                      |                                   |                                |
| <b>Liabilities:</b>                               |                      |                                   |                                |
| Warrants Payable                                  | \$ 862,265           | \$ 204,549                        | \$ 1,066,814                   |
| Accrued Payroll                                   | 202,258              | -                                 | 202,258                        |
| Employee withholdings                             | 157,461              | -                                 | 157,461                        |
| Tax Refund Payable                                | 35,600               | 3,100                             | 38,700                         |
| Deferred Revenue:                                 |                      |                                   |                                |
| Property Taxes                                    | 887,732              | 2,780                             | 890,512                        |
| Other   | 6,365,692            | 461,196                           | 6,826,888                      |
| Bond Anticipation Notes Payable                   | -                    | 3,539,168                         | 3,539,168                      |
| <b>Total Liabilities</b>                          | <b>8,511,008</b>     | <b>4,210,793</b>                  | <b>12,721,801</b>              |
| <b>Fund Balance:</b>                              |                      |                                   |                                |
| Restricted  | -                    | 7,333,421                         | 7,333,421                      |
| Assigned  | 1,924,836            | -                                 | 1,924,836                      |
| Unassigned  | 5,459,683            | (3,023,185)                       | 2,436,498                      |
| <b>Total Fund Balance</b>                         | <b>7,384,519</b>     | <b>4,310,236</b>                  | <b>11,694,755</b>              |
| <b>Total Liabilities and Fund Balance</b>         | <b>\$ 15,895,527</b> | <b>\$ 8,521,029</b>               | <b>\$ 24,416,556</b>           |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|   | General<br>Fund     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| <b>Revenues:</b>  |                     |                                   |                                |
| Property Taxes  | \$ 31,567,931       | \$ 204,337                        | \$ 31,772,268                  |
| Intergovernmental                                       | 10,977,078          | 3,696,510                         | 14,673,588                     |
| Excise and Other Taxes                                  | 1,838,566           | -                                 | 1,838,566                      |
| Charges for Services                                    | -                   | 2,316,705                         | 2,316,705                      |
| Licenses, Permits, Fees                                 | 539,620             | -                                 | 539,620                        |
| Interest on Taxes                                       | 202,712             | 329                               | 203,041                        |
| Interest on Investments                                 | 89,587              | 2                                 | 89,589                         |
| Other   | -                   | 490,355                           | 490,355                        |
| Intergovernmental - "On-behalf" Payments                | 4,475,518           | -                                 | 4,475,518                      |
| <b>Total Revenues</b>                                   | <b>49,691,012</b>   | <b>6,708,238</b>                  | <b>56,399,250</b>              |
| <b>Expenditures:</b>                                    |                     |                                   |                                |
| Current:  |                     |                                   |                                |
| General Government                                      | 1,845,591           | 440,128                           | 2,285,719                      |
| Public Safety   | 3,160,803           | 297,085                           | 3,457,888                      |
| Public Works  | 4,727,806           | 33,206                            | 4,761,012                      |
| Education   | 24,092,712          | 5,878,595                         | 29,971,307                     |
| Health and Human Services                               | 314,245             | 350,399                           | 664,644                        |
| Culture and Recreation                                  | 812,092             | 526,078                           | 1,338,170                      |
| Employee Benefits and Insurance                         | 11,522,067          | -                                 | 11,522,067                     |
| State Assessments                                       | 232,775             | -                                 | 232,775                        |
| Debt Service:   |                     |                                   |                                |
| Principal   | 2,398,796           | -                                 | 2,398,796                      |
| Interest  | 1,053,966           | -                                 | 1,053,966                      |
| <b>Total Expenditures</b>                               | <b>50,160,853</b>   | <b>7,525,491</b>                  | <b>57,686,344</b>              |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>(469,841)</b>    | <b>(817,253)</b>                  | <b>(1,287,094)</b>             |
| <b>Other Financing Sources (Uses):</b>                  |                     |                                   |                                |
| Operating Transfers In                                  | 458,136             | -                                 | 458,136                        |
| Operating Transfers Out                                 | -                   | (458,136)                         | (458,136)                      |
| Proceeds from Issuance of Bonds                         | -                   | 2,730,000                         | 2,730,000                      |
| <b>Total Other Financing Sources (Uses)</b>             | <b>458,136</b>      | <b>2,271,864</b>                  | <b>2,730,000</b>               |
| <b>Net Change in Fund Balances</b>                      | <b>(11,705)</b>     | <b>1,454,611</b>                  | <b>1,442,906</b>               |
| <b>Fund Balances, Beginning of Year</b>                 | <b>7,396,224</b>    | <b>2,855,625</b>                  | <b>10,251,849</b>              |
| <b>Fund Balances, End of Year</b>                       | <b>\$ 7,384,519</b> | <b>\$ 4,310,236</b>               | <b>\$ 11,694,755</b>           |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2011**

|  |                  |                             |
|--|------------------|-----------------------------|
| <b>Total Governmental Fund Balances</b>  |                  | \$ 11,694,755               |
| Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.                      |                  | 40,950,262                  |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.   |                  | 7,717,400                   |
| Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:                          |                  |                             |
| Bonds Payable  | \$ (24,061,808)  |                             |
| Other Post Employment Benefits Payable   | (14,041,756)     |                             |
| Compensated Absences   | <u>(456,050)</u> | (38,559,614)                |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due. |                  | <u>(364,712)</u>            |
| <b>Net Assets of Governmental Activities</b>   |                  | <u><u>\$ 21,438,091</u></u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,442,906**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital Outlay Purchases | \$ 1,778,540       |           |
| Depreciation             | <u>(2,194,487)</u> | (415,947) |

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

39,890

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

|                                 |                    |           |
|---------------------------------|--------------------|-----------|
| Repayment of Debt Principal     | 2,398,796          |           |
| Proceeds from Issuance of Bonds | <u>(2,730,000)</u> | (331,204) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

|  |               |             |
|--|---------------|-------------|
| Net Change in Compensated Absences               | (3,710)       |             |
| Net Change in Other Post Employment Benefits     | (5,571,250)   |             |
| Net Change in Accrued Interest on Long-Term Debt | <u>10,943</u> | (5,564,017) |

**Change in Net Assets of Governmental Activities** **\$ (4,828,372)**

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Amounts</u>      | <u>Variance with</u> |
|---|-------------------------|---------------------|---------------------|---------------------|----------------------|
|   | <u>Original</u>         | <u>Final</u>        | <u>Budgetary</u>    | <u>Carried</u>      | <u>Final Budget</u>  |
|   | <u>Budget</u>           | <u>Budget</u>       | <u>Basis</u>        | <u>Forward</u>      | <u>Positive</u>      |
|   |                         |                     |                     | <u>to Next Year</u> | <u>(Negative)</u>    |
| <b>Revenues:</b>  |                         |                     |                     |                     |                      |
| Property Taxes  | \$ 31,622,351           | \$ 31,292,925       | \$ 31,598,031       | \$ -                | \$ 305,106           |
| Intergovernmental   | 10,904,073              | 10,904,073          | 10,977,078          | -                   | 73,005               |
| Excise and Other Taxes  | 1,780,000               | 1,780,000           | 1,838,566           | -                   | 58,566               |
| Licenses, Permits, Fees   | 368,415                 | 368,415             | 539,620             | -                   | 171,205              |
| Interest on Taxes   | 223,000                 | 223,000             | 202,712             | -                   | (20,288)             |
| Interest on Investments   | 223,256                 | 223,256             | 104,505             | -                   | (118,751)            |
| <b>Total Revenues</b>   | <b>45,121,095</b>       | <b>44,791,669</b>   | <b>45,260,512</b>   | <b>-</b>            | <b>468,843</b>       |
| <b>Expenditures:</b>  |                         |                     |                     |                     |                      |
| Current:  |                         |                     |                     |                     |                      |
| General Government  | 2,224,681               | 2,289,681           | 1,845,591           | 324,924             | 119,166              |
| Public Safety   | 3,179,548               | 3,179,548           | 3,160,803           | 11,498              | 7,247                |
| Public Works  | 4,616,097               | 4,621,359           | 4,727,806           | 150,510             | (256,957)            |
| Education   | 24,734,928              | 24,734,928          | 24,092,712          | 443,020             | 199,196              |
| Health and Human Services   | 339,560                 | 339,560             | 314,245             | 53                  | 25,262               |
| Culture and Recreation  | 811,826                 | 812,138             | 812,092             | 1,515               | (1,469)              |
| Employee Benefits and Insurance   | 7,073,153               | 7,073,153           | 7,049,825           | 9,809               | 13,519               |
| State Assessments   | 235,860                 | 235,860             | 232,775             | -                   | 3,085                |
| Debt Service:   |                         |                     |                     |                     |                      |
| Principal   | 2,377,247               | 2,377,247           | 2,398,796           | -                   | (21,549)             |
| Interest  | 1,141,117               | 1,141,117           | 1,050,690           | -                   | 90,427               |
| <b>Total Expenditures</b>   | <b>46,734,017</b>       | <b>46,804,591</b>   | <b>45,685,335</b>   | <b>941,329</b>      | <b>177,927</b>       |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>   | <b>(1,612,922)</b>      | <b>(2,012,922)</b>  | <b>(424,823)</b>    | <b>(941,329)</b>    | <b>646,770</b>       |
| <b>Other Financing Sources (Uses):</b>  |                         |                     |                     |                     |                      |
| Operating Transfers In (Out)  | 245,506                 | 645,506             | 608,136             | -                   | (37,370)             |
| <b>Total Other Financing Sources (Uses)</b>   | <b>245,506</b>          | <b>645,506</b>      | <b>608,136</b>      | <b>-</b>            | <b>(37,370)</b>      |
| <b>Excess (Deficiency) of Revenues and Other<br/>Financing Sources Over Expenditures and<br/>Other Financing Uses</b> | <b>(1,367,416)</b>      | <b>(1,367,416)</b>  | <b>183,313</b>      | <b>(941,329)</b>    | <b>609,400</b>       |
| <b>Budgetary Fund Balance - Beginning of Year</b>   | <b>5,508,061</b>        | <b>5,508,061</b>    | <b>5,508,061</b>    | <b>-</b>            | <b>-</b>             |
| <b>Budgetary Fund Balance - End of Year</b>   | <b>\$ 4,140,645</b>     | <b>\$ 4,140,645</b> | <b>\$ 5,691,374</b> | <b>\$ (941,329)</b> | <b>\$ 609,400</b>    |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2011**

|   | <u>Revenues</u>      | <u>Expenditures</u>  |
|---|----------------------|----------------------|
| <b>Reported on a Budgetary Basis</b>  | \$ 45,260,512        | \$ 45,685,335        |
| <u>Adjustments:</u>   |                      |                      |
| Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes | (14,918)             | -                    |
| Net Decrease in Revenue from recording Refund Taxes Payable                     | (2,600)              | -                    |
| Recognition of intergovernmental Revenue - "on behalf payments"                 | 4,475,518            | -                    |
| Recognition of Expenditures - 'on behalf payments"                              | -                    | 4,475,518            |
| Net Decrease in Revenue from Recording 60-Day Receipts                          | (27,500)             | -                    |
| <b>Reported on a GAAP Basis</b>   | <u>\$ 49,691,012</u> | <u>\$ 50,160,853</u> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
JUNE 30, 2011**

|   |  | Business-Type Activities<br>Enterprise Funds |                     |                      |
|---|--|--|---------------------|----------------------|
|   |  | Water<br>Fund                                | Sewer<br>Fund       | Total                |
| <b>ASSETS</b>                                     |  |  |                     |                      |
| CURRENT:  |  |  |                     |                      |
| Cash and Cash Equivalents                         |  | \$ 1,494,388                                 | \$ 2,721,464        | \$ 4,215,852         |
| Receivables, net of allowance for uncollectibles  |  |  |                     |                      |
| User Charges                                      |  | 392,028                                      | 244,763             | 636,791              |
| Special Assessments                               |  | 1,469  | 76,790              | 78,259               |
| Total current assets                              |  | 1,887,885                                    | 3,043,017           | 4,930,902            |
| NONCURRENT:                                       |  |  |                     |                      |
| Receivables, net of allowance for uncollectibles: |  |  |                     |                      |
| Special Assessments                               |  | 10,535                                       | 216,949             | 227,484              |
| Capital Assets, net of accumulated depreciation:  |  |  |                     |                      |
| Nondepreciable                                    |  | -  | 694,405             | 694,405              |
| Depreciable                                       |  | 10,116,481                                   | 8,109,939           | 18,226,420           |
| Total noncurrent assets                           |  | 10,127,016                                   | 9,021,293           | 19,148,309           |
| <b>Total Assets</b>                               |  | <b>12,014,901</b>                            | <b>12,064,310</b>   | <b>24,079,211</b>    |
| <b>LIABILITIES</b>                                |  |  |                     |                      |
| CURRENT:  |  |  |                     |                      |
| Warrants Payable                                  |  | 125,925                                      | 130,453             | 256,378              |
| Accrued Payroll                                   |  | 5,249  | 4,003               | 9,252                |
| Accrued Interest                                  |  | 26,750                                       | 35,602              | 62,352               |
| Compensated Absences                              |  | 16,730                                       | 14,317              | 31,047               |
| Bonds Payable                                     |  | 410,937                                      | 433,411             | 844,348              |
| Total current liabilities                         |  | 585,591                                      | 617,786             | 1,203,377            |
| NONCURRENT:                                       |  |  |                     |                      |
| Compensated Absences                              |  | 23,003                                       | 3,454               | 26,457               |
| Bonds Payable                                     |  | 4,697,836                                    | 4,726,060           | 9,423,896            |
| Total noncurrent liabilities                      |  | 4,720,839                                    | 4,729,514           | 9,450,353            |
| <b>Total Liabilities</b>                          |  | <b>5,306,430</b>                             | <b>5,347,300</b>    | <b>10,653,730</b>    |
| <b>NET ASSETS:</b>                                |  |  |                     |                      |
| Invested in Capital Assets, net of related debt   |  | 5,007,708                                    | 3,644,873           | 8,652,581            |
| Restricted for Capital                            |  | 333,963                                      | 1,147,968           | 1,481,931            |
| Unrestricted                                      |  | 1,366,800                                    | 1,924,169           | 3,290,969            |
| <b>Total Net Assets</b>                           |  | <b>\$ 6,708,471</b>                          | <b>\$ 6,717,010</b> | <b>\$ 13,425,481</b> |

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

|  | <b>Business-Type Activities<br/>Enterprise Funds</b> |                       |                      |
|--|--|-----------------------|----------------------|
|  | <b>Water<br/>Fund</b>                                | <b>Sewer<br/>Fund</b> | <b>Total</b>         |
| <b>Operating Revenues:</b>                     |  |                       |                      |
| Charges for Services                           | \$ 2,289,624   | \$ 1,318,305          | \$ 3,607,929         |
| <b>Total Operating Revenues</b>                | <b>2,289,624</b>                                     | <b>1,318,305</b>      | <b>3,607,929</b>     |
| <b>Operating Expenses:</b>                     |  |                       |                      |
| Salaries & Wages                               | 342,789  | 322,820               | 665,609              |
| Operating Expenses                             | 1,114,397  | 747,925               | 1,862,322            |
| Depreciation                                   | 328,832  | 253,051               | 581,883              |
| <b>Total Operating Expenses</b>                | <b>1,786,018</b>                                     | <b>1,323,796</b>      | <b>3,109,814</b>     |
| <b>Operating Income (Loss)</b>                 | <b>503,606</b>                                       | <b>(5,491)</b>        | <b>498,115</b>       |
| <b>Non-Operating Revenues (Expenses):</b>      |  |                       |                      |
| Intergovernmental                              | 1,607  | 1,298                 | 2,905                |
| Interest Expense                               | (230,185)  | (231,245)             | (461,430)            |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>(228,578)</b>                                     | <b>(229,947)</b>      | <b>(458,525)</b>     |
| <b>Change in Net Assets</b>                    | <b>275,028</b>                                       | <b>(235,438)</b>      | <b>39,590</b>        |
| <b>Net Assets at Beginning of Year</b>         | <b>6,433,443</b>                                     | <b>6,952,448</b>      | <b>13,385,891</b>    |
| <b>Net Assets at End of Year</b>               | <b>\$ 6,708,471</b>                                  | <b>\$ 6,717,010</b>   | <b>\$ 13,425,481</b> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

|  | Business-Type Activities<br>Enterprise Funds |                     |                     |
|--|--|---------------------|---------------------|
|  | Water<br>Fund                                | Sewer<br>Fund       | Total               |
| <b>Cash Flows From Operating Activities:</b>   |  |                     |                     |
| Receipts from Customers and Users  | \$ 2,228,709                                 | \$ 1,327,762        | \$ 3,556,471        |
| Payments to Vendors  | (1,117,048)                                  | (772,276)           | (1,889,324)         |
| Payments to Employees  | (337,606)                                    | (324,896)           | (662,502)           |
| <b>Net Cash Provided by (Used for)<br/>Operating Activities</b>  | <b>774,055</b>                               | <b>230,590</b>      | <b>1,004,645</b>    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>   |  |                     |                     |
| Intergovernmental  | 1,607  | 1,298               | 2,905               |
| Proceeds from Bonds  | -  | 1,104,000           | 1,104,000           |
| Acquisition and Construction of Capital Assets   | -  | (694,405)           | (694,405)           |
| Principal Payments on Bonds and Notes  | (478,750)                                    | (377,259)           | (856,009)           |
| Interest Expense   | (233,533)                                    | (225,480)           | (459,013)           |
| <b>Net Cash Provided by (Used for)<br/>Capital and Related Financing Activities</b>                                  | <b>(710,676)</b>                             | <b>(191,846)</b>    | <b>(902,522)</b>    |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | <b>63,379</b>                                | <b>38,744</b>       | <b>102,123</b>      |
| <b>Cash and Cash Equivalents at Beginning of Year</b>  | <b>1,431,009</b>                             | <b>2,682,720</b>    | <b>4,113,729</b>    |
| <b>Cash and Cash Equivalents at End of Year</b>  | <b>\$ 1,494,388</b>                          | <b>\$ 2,721,464</b> | <b>\$ 4,215,852</b> |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>            |  |                     |                     |
| <b>Operating Income (Loss)</b>   | <b>\$ 503,606</b>                            | <b>\$ (5,491)</b>   | <b>\$ 498,115</b>   |
| <b>Adjustments to reconcile operating income (loss)<br/>to net cash provided by (used for) operating activities:</b> |  |                     |                     |
| Depreciation   | 328,832                                      | 253,051             | 581,883             |
| Change in Assets and Liabilities:  |  |                     |                     |
| Increase (Decrease) in Warrants Payable  | (2,651)                                      | (24,351)            | (27,002)            |
| Increase (Decrease) in Accrued Payroll   | 2,127  | 424                 | 2,551               |
| Increase (Decrease) in Compensated Absences  | 3,056  | (2,500)             | 556                 |
| Decrease (Increase) in User Charges Receivable   | (60,915)                                     | 9,457               | (51,458)            |
| <b>Total Adjustments</b>   | <b>270,449</b>                               | <b>236,081</b>      | <b>506,530</b>      |
| <b>Net Cash Provided by (Used for) Operating Activities</b>  | <b>\$ 774,055</b>                            | <b>\$ 230,590</b>   | <b>\$ 1,004,645</b> |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011**

|                                  | <b>Private<br/>Purpose<br/>Trust Funds</b> | <b>Agency<br/>Funds</b> |
|----------------------------------|--|-------------------------|
| <b>ASSETS</b>                    |  |                         |
| Cash and Cash Equivalents        | \$ 17,543                                  | \$ 507,821              |
| Investments                      | 47,919                                     | -                       |
| <b>Total Assets</b>              | <b>65,462</b>                              | <b>507,821</b>          |
| <b>LIABILITIES</b>               |  |                         |
| Warrants Payable                 | -  | 538                     |
| Due to Others                    | -  | 10,406                  |
| Due to Student Groups            | -  | 119,675                 |
| Escrows and Deposits             | -  | 377,202                 |
| <b>Total Liabilities</b>         | <b>-</b>                                   | <b>507,821</b>          |
| <b>NET ASSETS:</b>               |  |                         |
| Held in Trust for Other Purposes | <b>\$ 65,462</b>                           | <b>\$ -</b>             |

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

|  | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|--|--|
| <b>Additions</b>                       |  |
| Contributions:                         |  |
| Private Donations                      | \$ 4,380                                   |
| Total Contributions                    | <u>4,380</u>                               |
| Investment Income                      | (237)                                      |
| Total Investment Earnings              | <u>(237)</u>                               |
| <b>Total Additions</b>                 | <u>4,143</u>                               |
| <b>Deductions:</b>                     |  |
| Educational Scholarships               | 3,954                                      |
| <b>Total Deductions</b>                | <u>3,954</u>                               |
| <b>Change in Net Assets</b>            | <u>189</u>                                 |
| <b>Net Assets at Beginning of Year</b> | <u>65,273</u>                              |
| <b>Net Assets at End of Year</b>       | <u><u>\$ 65,462</u></u>                    |

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Town of East Longmeadow have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The Town of East Longmeadow, Massachusetts (the Town) was incorporated in 1894 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2011, it was determined that no entities met the required GASB-14 and GASB-39 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the East Longmeadow Housing Authority. This related organization is excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

**East Longmeadow Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and the handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

**B. Implementation of New Accounting Principle**

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

**C. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column. .

Because governmental fund statement are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

**Major Fund Criteria**

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),
- and
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**Fund Financial Statements**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The non-major governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements.

The government reports the following major proprietary funds:

The *water fund* is used to account for the water activities.

The *sewer fund* is used to account for the sewer activities.

Additionally, the government reports the following fund types:

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**E. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

**F. Investments**

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

**G. Accounts Receivables**

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.



**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

***Property Taxes, Deferred Property Taxes and Tax Liens***

Property taxes are based on assessments as of January 1, 2010 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. The first tax payment is due November 1<sup>st</sup>, or thirty days after the date tax bills were mailed, whichever is later and must be at least one-half of the tax and any betterment, special assessments and other charges shown. The balance of the tax is owed by May 1<sup>st</sup> of the following year. If payments are not made by the due dates, interest at the rate of 14% is charged on the amount of the taxes that have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed actual tax bills for the fiscal year 2011 on October 20, 2010, and March 16, 2011 that were due on November 23, 2010 and May 2, 2011, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2011 is \$32,608,445.

|                                    |                             |
|------------------------------------|-----------------------------|
| Legal Levy Limit Under Proposition |                             |
| 2 1/2 for fiscal year 2011         | \$ 31,415,792               |
| Add: Debt Exclusion                | <u>1,192,653</u>            |
|                                    | <u><u>\$ 32,608,445</u></u> |

The total amount raised by taxation was \$31,584,291.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

***Excise and Other Taxes***

Excise taxes consist of motor vehicle excise, vessel excise and farm animal excise. Motor vehicle and vessel excise taxes are assessed annually for each vehicle and vessel registered in the Town, and are recorded as receivables in the fiscal year of the levy.

The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel. Farm animal excise is assessed annually for farm machinery and animals and are recorded as receivables in the fiscal year of the levy. The Board of Assessors of the Town is responsible for determining the value of the farm machinery and animals.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectible accounts is based on historical trends and specific account analysis.

***User Charges***

User charges and fees consist of water and sewer that are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

***Departmental***

Departmental receivables consist primarily of highway fees, payments in lieu of taxes, police off duty, and income and expense penalties added to taxes.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

***Special Assessments***

Special assessments consists of the water and sewer betterments.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

***Due from Other Governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

**H. Capital Assets**

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

| <b>Capital Asset Type</b>      | <b>Years</b> |
|--------------------------------|--------------|
| Buildings and renovations      | 10-40        |
| Machinery, equipment and other | 3-15         |
| Infrastructure                 | 20-50        |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**I. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

**J. Deferred Revenue**

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

**K. Net Assets and Fund Balances**

In the Governmental-Wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Community preservation" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

*Assigned fund balance.* This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

**L. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

**M. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Individuals are provided for various provisions depending on the union contract. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

**N. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% and 70% share of insurance premiums for retirees and spouses for Medicare and PPO and HMO respectively in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2011, the expense/expenditure totaled approximately \$1,965,639. There were approximately 377 participants eligible to received benefits.

**O. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2011, the Town incurred a final budget deficit of \$1,367,416 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

|                                |                     |
|--------------------------------|---------------------|
| Unreserved fund balance:       |                     |
| Free cash                      | \$ 894,383          |
| Prior year's encumbrances      | 741,420             |
| Water/Sewer estimated receipts | (15,877)            |
| Reserved for deficits          | (252,510)           |
|                                | <u>\$ 1,367,416</u> |

**B. Deficit Fund Balance**

The following capital projects had deficits at June 30, 2011 as measured by the fund balances of the individual projects.

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- The Capital projects fund has various projects with deficit balances totaling \$3,023,185. These deficits will be eliminated upon the issuance of debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2011 were \$18,783,150. Of these, \$747,831 was exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2011, the Town had the following investments and maturities:

| Investment Type           | Fair Value          | Investment Maturities<br>(In Years) |                |                  |
|---------------------------|---------------------|-------------------------------------|----------------|------------------|
|                           |                     | Less Than 1                         | 6 to 10        | More than 10     |
| Debt Securities:          |                     |                                     |                |                  |
| U. S. Government agencies | \$ 766,923          | \$ -                                | \$ 395,868     | \$ 371,055       |
| Municipal bonds           | 1,262,611           | 487,113                             | 122,526        | 652,972          |
| Money market mutual funds | 31,959              | 31,959                              | -              | -                |
|                           | <u>2,061,493</u>    | <u>519,072</u>                      | <u>518,394</u> | <u>1,024,027</u> |
| Other Investments:        |                     |                                     |                |                  |
| Equity securities         | 305,633             |                                     |                |                  |
| MMDT                      | 361,808             |                                     |                |                  |
|                           | <u>\$ 2,728,934</u> |                                     |                |                  |

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**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$2,728,934 in investments, \$1,867,125 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2011 is as follows:

| Related Debt Instruments  | Fair Value          | Moody's Quality Ratings |                   |                   |                   | Not Rated        |
|---------------------------|---------------------|-------------------------|-------------------|-------------------|-------------------|------------------|
|                           |                     | Aaa                     | Aa1               | Aa2               | Aa3               |                  |
| Debt Securities:          |                     |                         |                   |                   |                   |                  |
| U. S. government agencies | \$ 766,923          | \$ 766,923              | \$ -              | \$ -              | \$ -              | \$ -             |
| Municipal bonds           | 1,262,610           | -                       | 976,728           | 122,526           | 163,356           | -                |
| Money market mutual fund  | 31,958              | -                       | -                 | -                 | -                 | 31,958           |
|                           | <u>\$ 2,061,491</u> | <u>\$ 766,923</u>       | <u>\$ 976,728</u> | <u>\$ 122,526</u> | <u>\$ 163,356</u> | <u>\$ 31,958</u> |

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are in U.S. Government Agencies and Municipal Bonds amounting to 28.1% and 23.84%, respectfully, of the Town's total investments as follows:

**U.S. Government Agencies:**

|  |        |
|--|--------|
| Federal home loan mortgage association | 6.56%  |
| Federal home loan bank                 | 14.51% |
| Federal national mortgage association  | 7.03%  |

**Municipal Bonds:**

|                                     |        |
|-------------------------------------|--------|
| Massachusetts common refunding bond | 10.33% |
| Massachusetts ST Cons Ln            | 7.52%  |
| Massachusetts ST port authority Rev | 5.99%  |

**B. Receivables**

At June 30, 2011, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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|   | <b>Gross<br/>Amount</b> | <b>Allowance<br/>for<br/>Uncollectibles</b> | <b>Net<br/>Amount</b> |
|---|-------------------------|---|-----------------------|
| <b>Major and nonmajor governmental funds:</b> |                         |   |                       |
| Property taxes                                | \$ 1,106,138            | \$ (75,126)                                 | \$ 1,031,012          |
| Deferred property taxes                       | 27,475                  | -   | 27,475                |
| Tax liens                                     | 295,764                 | -   | 295,764               |
| Excise and other taxes                        | 145,608                 | (26,555)                                    | 119,053               |
| Departmental                                  | 18,986                  | (775)                                       | 18,211                |
| Due from other governments                    | 6,424,518               | -   | 6,424,518             |
|   | <u>\$ 8,018,489</u>     | <u>\$ (102,456)</u>                         | <u>\$ 7,916,033</u>   |

At June 30, 2011, receivables for the business-type activities consist of the following:

|                                       | <b>Gross<br/>Amount</b> | <b>Allowance<br/>for<br/>Uncollectibles</b> | <b>Net<br/>Amount</b> |
|---------------------------------------|-------------------------|---|-----------------------|
| <b>Water Fund:</b>                    |                         |   |                       |
| User charges                          | \$ 396,528              | \$ (4,500)                                  | \$ 392,028            |
| Special assessments                   | 12,004                  | -   | 12,004                |
|                                       | <u>408,532</u>          | <u>(4,500)</u>                              | <u>404,032</u>        |
| <b>Sewer Fund:</b>                    |                         |   |                       |
| User charges                          | 246,063                 | (1,300)                                     | 244,763               |
| Special assessments                   | 293,739                 | -   | 293,739               |
|                                       | <u>539,802</u>          | <u>(1,300)</u>                              | <u>538,502</u>        |
| <b>Total business-type activities</b> | <u>\$ 948,334</u>       | <u>\$ (5,800)</u>                           | <u>\$ 942,534</u>     |

The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:



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**Governmental Funds:**

**General Fund:**

***Commonwealth of Massachusetts:***

|  |               |              |
|--|---------------|--------------|
| Massachusetts School Building Authority:     |               |              |
| School building assistance - capital portion | \$ 5,897,051  |              |
| Department of Veterans Services:             |               |              |
| Veterans benefits                            | <u>37,409</u> | \$ 5,934,460 |

**Nonmajor Governmental Funds:**

***U. S. Department of Agriculture:***

|              |        |  |
|--------------|--------|--|
| School lunch | 12,510 |  |
|--------------|--------|--|

***Commonwealth of Massachusetts:***

|  |                |                     |
|--|----------------|---------------------|
| Massachusetts Department of Elementary<br>and Secondary Education: |                |                     |
| School lunch   | 1,006          |                     |
| Executive Office of Public Safety & Homeland Security:             |                |                     |
| Traffic enforcement  | 1,155          |                     |
| 911 training grant   | 5,908          |                     |
| Massachusetts Highway Department:                                  |                |                     |
| Chapter 90 funded projects   | <u>469,479</u> | <u>490,058</u>      |
|  |                | <u>\$ 6,424,518</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2011 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$890,512.

**General Fund:**

|                |            |
|----------------|------------|
| Property Taxes | \$ 887,732 |
|----------------|------------|

**Nonmajor Governmental Funds:**

|                                  |                   |
|----------------------------------|-------------------|
| Community Preservation Surcharge | <u>2,780</u>      |
|                                  | <u>\$ 890,512</u> |

The various components of the other deferred revenue reported in the governmental funds were as follows:

**General Fund:**

|                            |                  |              |
|----------------------------|------------------|--------------|
| Deferred property taxes    | \$ 27,475        |              |
| Tax liens                  | 295,764          |              |
| Excise and other taxes     | 119,053          |              |
| Departmental               | 300              |              |
| Due from other governments | <u>5,923,100</u> | \$ 6,365,692 |

**Nonmajor Governmental Funds:**

|                            |                     |  |
|----------------------------|---------------------|--|
| Due from other governments | <u>461,196</u>      |  |
|                            | <u>\$ 6,826,888</u> |  |

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows

**Governmental Activities**

|   | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:             |                              |                  |                  |                           |
| Land  | \$ 5,186,863                 | \$ -             | \$ -             | \$ 5,186,863              |
| Construction in progress                          | 436,818                      | 1,673,046        | (157,566)        | 1,952,298                 |
| Total capital assets not being depreciated        | 5,623,681                    | 1,673,046        | (157,566)        | 7,139,161                 |
| Capital assets being depreciated:                 |                              |                  |                  |                           |
| Buildings and Renovations                         | 50,870,645                   | 192,066          | -                | 51,062,711                |
| Machinery, equipment and other                    | 6,999,004                    | 70,996           | (55,202)         | 7,014,798                 |
| Infrastructure                                    | 3,107,724                    | -                | -                | 3,107,724                 |
| Total capital assets being depreciated            | 60,977,373                   | 263,062          | (55,202)         | 61,185,233                |
| Less accumulated depreciation for:                |                              |                  |                  |                           |
| Buildings and Renovations                         | 20,152,890                   | 1,409,005        | -                | 21,561,895                |
| Machinery, equipment and other                    | 4,820,608                    | 637,107          | (55,202)         | 5,402,513                 |
| Infrastructure                                    | 261,347                      | 148,377          | -                | 409,724                   |
| Total accumulated depreciation                    | 25,234,845                   | 2,194,489        | (55,202)         | 27,374,132                |
| Total capital assets being depreciated, net       | 35,742,528                   | (1,931,427)      | -                | 33,811,101                |
| Total governmental activities capital assets, net | \$ 41,366,209                | \$ (258,381)     | \$ (157,566)     | \$ 40,950,262             |

**Business-Type Activities**

|  | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:              |                              |                  |                  |                           |
| Construction in progress                           | \$ -                         | \$ 694,404       | \$ -             | \$ 694,404                |
| Total capital assets not being depreciated         | -                            | 694,404          | -                | 694,404                   |
| Capital assets being depreciated:                  |                              |                  |                  |                           |
| Buildings and renovations                          | 29,597                       | -                | -                | 29,597                    |
| Machinery, equipment and other                     | 114,763                      | -                | -                | 114,763                   |
| Infrastructure                                     | 38,485,806                   | -                | -                | 38,485,806                |
| Total capital assets being depreciated             | 38,630,166                   | -                | -                | 38,630,166                |
| Less accumulated depreciation for:                 |                              |                  |                  |                           |
| Buildings and renovations                          | 29,597                       | -                | -                | 29,597                    |
| Machinery, equipment and other                     | 57,382                       | 22,952           | -                | 80,334                    |
| Infrastructure                                     | 19,734,884                   | 558,930          | -                | 20,293,814                |
| Total accumulated depreciation                     | 19,821,863                   | 581,882          | -                | 20,403,745                |
| Total capital assets being depreciated, net        | 18,808,303                   | (581,882)        | -                | 18,226,421                |
| Total business-type activities capital assets, net | \$ 18,808,303                | \$ 112,522       | \$ -             | \$ 18,920,825             |

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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

|  |                     |
|--|---------------------|
| General government                                   | \$ 25,516           |
| Public safety  | 183,190             |
| Public works   | 325,012             |
| Education  | 1,451,789           |
| Health and human services                            | 53,662              |
| Culture and recreation                               | 155,320             |
| Total depreciation expense - governmental activities | <u>\$ 2,194,489</u> |

**Business-Type Activities:**

|   |                   |
|---|-------------------|
| Water fund  | \$ 253,051        |
| Sewer fund  | 328,831           |
| Total depreciation expense - business-type activities | <u>\$ 581,882</u> |

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

| Transfers In:               |                   |                   |
|-----------------------------|-------------------|-------------------|
|                             | General<br>fund   | Total             |
| Transfers Out:              |                   |                   |
| Nonmajor governmental funds | \$ 458,136        | \$ 458,136        |
| Total transfers out         | <u>\$ 458,136</u> | <u>\$ 458,136</u> |

**E. Short-Term Financing**

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

| Purpose                         | Interest<br>Rate | Final<br>Maturity<br>Date | Balance<br>June 30, 2010 | Renewed/<br>Issued  | Retired/<br>Redeemed | Outstanding<br>June 30, 2011 |
|---------------------------------|------------------|---------------------------|--------------------------|---------------------|----------------------|------------------------------|
| <b>Governmental Activities:</b> |                  |                           |                          |                     |                      |                              |
| Municipal Purpose Loan of 2010  | 1.50%            | 6/26/2011                 | \$ 3,539,168             | \$ -                | \$ 3,539,168         | \$ -                         |
| Municipal Purpose Loan of 2010  | 1.125%           | 10/13/2011                | -                        | 3,539,168           | -                    | 3,539,168                    |
|                                 |                  |                           | <u>\$ 3,539,168</u>      | <u>\$ 3,539,168</u> | <u>\$ 3,539,168</u>  | <u>\$ 3,539,168</u>          |

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**F. Long Term Debt**

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

|                                      | Interest<br>Rate | Date<br>Issued | Final<br>Maturity<br>Date | Original<br>Amount<br>Issued | Outstanding<br>June 30, 2011 |
|--------------------------------------|------------------|----------------|---------------------------|------------------------------|------------------------------|
| <b>Inside Debt:</b>                  |                  |                |                           |                              |                              |
| Municipal purpose loan of 2003       | 2.00-5.00%       | 6/1/2003       | 6/1/2023                  | \$ 2,200,000                 | 1,320,000                    |
| Remodeling projects                  | 3.85%            | 4/1/2005       | 4/1/2022                  | \$ 1,336,200                 | 881,000                      |
| Parking lot                          | 3.85%            | 4/1/2005       | 4/1/2014                  | \$ 46,800                    | 15,000                       |
| Telecommunication systems            | 3.85%            | 4/1/2005       | 4/1/2015                  | \$ 100,000                   | 32,000                       |
| Modular classrooms                   | 3.85%            | 4/1/2005       | 4/1/2015                  | \$ 1,400,000                 | 560,000                      |
| Municipal purpose loan of 2005       | 4.00-6.00%       | 12/1/2005      | 12/1/2025                 | \$ 1,138,000                 | 695,000                      |
| Municipal purpose loan of 2007       | 3.96%            | 1/15/2007      | 1/15/2027                 | \$ 3,729,000                 | 2,969,000                    |
| Senior Center                        | 3.79%            | 1/15/2007      | 1/15/2017                 | \$ 410,000                   | 243,000                      |
| Municipal purpose loan of 2007       | 3.74%            | 1/15/2007      | 1/12/2012                 | \$ 546,000                   | 103,000                      |
| Municipal purpose loan of 2009       | 2.91%            | 1/15/2009      | 1/15/2024                 | \$ 4,852,000                 | 3,890,000                    |
| Municipal purpose loan of 2010       | 2.09%            | 9/15/2010      | 9/15/2025                 | \$ 2,730,000                 | 2,730,000                    |
| <b>Massachusetts Water Pollution</b> |                  |                |                           |                              |                              |
| <b>Abatement Trust:</b>              |                  |                |                           |                              |                              |
| GIS project                          | N/A              | 10/26/2006     | 8/1/2024                  | \$ 194,098                   | 161,326                      |
| GIS project                          | 2.00%            | 10/26/2006     | 7/15/2024                 | \$ 138,448                   | 117,482                      |
| Total Inside Debt                    |                  |                |                           |                              | <u>13,716,808</u>            |
| <b>Outside Debt:</b>                 |                  |                |                           |                              |                              |
| Birchland Park Middle                |                  |                |                           |                              |                              |
| School Construction                  | 4.00-5.00%       | 8/1/2001       | 8/1/2020                  | \$ 19,660,000                | 10,345,000                   |
| Total Outside Debt                   |                  |                |                           |                              | <u>10,345,000</u>            |
| Total governmental type debt         |                  |                |                           |                              | <u>\$ 24,061,808</u>         |

**Future Debt Service**

The annual principal and interest payments to retire all governmental type general obligation long-term debt outstanding as of June 30, 2011, are as follows:

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| <b>Governmental</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|---------------------|----------------------|---------------------|----------------------|
| 2012                | \$ 2,565,180         | \$ 936,711          | \$ 3,501,891         |
| 2013                | 2,450,575            | 842,363             | 3,292,938            |
| 2014                | 2,446,086            | 747,237             | 3,193,323            |
| 2015                | 2,321,626            | 652,804             | 2,974,430            |
| 2016                | 2,171,097            | 559,437             | 2,730,534            |
| 2017-2021           | 9,291,146            | 1,573,341           | 10,864,487           |
| 2022-2026           | 2,631,098            | 270,703             | 2,901,801            |
| 2027                | 185,000              | 7,400               | 192,400              |
|                     | <u>\$ 24,061,808</u> | <u>\$ 5,589,996</u> | <u>\$ 29,651,804</u> |

General obligation bonds currently outstanding of the business type fund are as follows:

|                                       | <b>Interest<br/>Rate</b> | <b>Date<br/>Issued</b> | <b>Final<br/>Maturity<br/>Date</b> | <b>Original<br/>Amount<br/>Issued</b> | <b>Outstanding<br/>June 30, 2011</b> |
|---------------------------------------|--------------------------|------------------------|------------------------------------|---------------------------------------|--------------------------------------|
| <b>Inside Debt:</b>                   |                          |                        |                                    |                                       |                                      |
| <b>Sewer:</b>                         |                          |                        |                                    |                                       |                                      |
| Municipal purpose loan of 2001        | 4.00-5.00%               | 8/1/2001               | 8/1/2021                           | \$ 1,345,000                          | 715,000                              |
| Orchard Road                          | 4.00-5.00%               | 8/1/2001               | 8/1/2013                           | \$ 60,000                             | 15,000                               |
| Municipal purpose loan of 2003        | 2.00-5.00%               | 6/1/2003               | 6/1/2023                           | \$ 4,775,000                          | 2,870,000                            |
| Somers and Ainslie Roads              | 2.00-5.00%               | 6/1/2003               | 6/1/2013                           | \$ 50,000                             | 10,000                               |
| Discharge Meters                      | 3.85%                    | 4/1/2005               | 4/1/2021                           | \$ 156,000                            | 95,000                               |
| Pease, Prospect and Old Farm Roads    | 3.85%                    | 4/1/2005               | 4/1/2017                           | \$ 120,000                            | 60,000                               |
| Mill Road Sanitary Sewer Construction | 4.00-6.00%               | 12/1/2005              | 12/1/2025                          | \$ 250,000                            | 180,000                              |
| Pump Station Upgrades                 | 2.09%                    | 9/15/2010              | 9/15/2025                          | \$ 1,104,000                          | 1,104,000                            |
| <b>Massachusetts Water Pollution</b>  |                          |                        |                                    |                                       |                                      |
| <b>Abatement Trust:</b>               |                          |                        |                                    |                                       |                                      |
| GIS Project                           | N/A                      | 10/26/2006             | 8/1/2024                           | \$ 76,907                             | 63,922                               |
| GIS Project                           | 2.00%                    | 10/26/2006             | 7/15/2024                          | \$ 54,857                             | 46,549                               |
| Total Inside Debt                     |                          |                        |                                    |                                       | <u>\$ 5,159,471</u>                  |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

|   | Interest<br>Rate | Date<br>Issued | Final<br>Maturity<br>Date | Original<br>Amount<br>Issued | Outstanding<br>June 30, 2011 |
|---|------------------|----------------|---------------------------|------------------------------|------------------------------|
| <b>Outside Debt:</b>                                      |                  |                |                           |                              |                              |
| <b>Water:</b>   |                  |                |                           |                              |                              |
| Municipal purpose loan of 2001                            | 4.00-5.00%       | 8/1/2001       | 8/1/2021                  | \$ 850,000                   | 445,000                      |
| Mains - Westwood Avenue                                   | 4.00-5.00%       | 8/1/2001       | 8/1/2016                  | \$ 75,000                    | 30,000                       |
| Municipal purpose loan of 2003                            | 2.00-5.00%       | 6/1/2003       | 6/1/2023                  | \$ 4,240,000                 | 2,520,000                    |
| Mains - Pease, Prospect and Old<br>Farm Roads             | 3.85%            | 4/1/2005       | 4/1/2018                  | \$ 130,000                   | 70,000                       |
| Water meters  | 3.85%            | 4/1/2005       | 4/1/2015                  | \$ 80,000                    | 32,000                       |
| Water tower   | 4.00-6.00%       | 12/1/2005      | 12/1/2025                 | \$ 2,500,000                 | 1,875,000                    |
| <b>Massachusetts Water Pollution<br/>Abatement Trust:</b> |                  |                |                           |                              |                              |
| GIS Project   | N/A              | 10/26/2006     | 8/1/2024                  | \$ 95,218                    | 79,141                       |
| GIS Project   | 2.00%            | 10/26/2006     | 7/15/2024                 | \$ 67,918                    | 57,632                       |
| Total Outside Debt  |                  |                |                           |                              | 5,108,773                    |
| Total Inside Debt   |                  |                |                           |                              | 5,159,471                    |
| Total business-type debt                                  |                  |                |                           |                              | <u>\$ 10,268,244</u>         |

**Future Debt Service**

The annual principal and interest payments to retire all business-type general obligation long-term debt outstanding as of June 30, 2011, are as follows:

| Business-Type | Principal            | Interest            | Total                |
|---------------|----------------------|---------------------|----------------------|
| 2012          | \$ 844,348           | \$ 393,447          | \$ 1,237,795         |
| 2013          | 835,699              | 358,301             | 1,194,000            |
| 2014          | 836,151              | 319,296             | 1,155,447            |
| 2015          | 826,631              | 289,025             | 1,115,656            |
| 2016          | 819,935              | 259,101             | 1,079,036            |
| 2017-2021     | 3,989,695            | 837,611             | 4,827,306            |
| 2022-2026     | 2,115,785            | 158,369             | 2,274,154            |
|               | <u>\$ 10,268,244</u> | <u>\$ 2,615,150</u> | <u>\$ 12,883,394</u> |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

A summary of the changes in long term debt during the year is as follows:

|  | Balance<br>June 30, 2010 | Additions    | Reductions   | Balance<br>June 30, 2011 | Amounts Due<br>within One<br>Year |
|--|--------------------------|--------------|--------------|--------------------------|-----------------------------------|
| <b>Governmental activities:</b>                          |                          |              |              |                          |                                   |
| <b>Bond Payable:</b>                                     |                          |              |              |                          |                                   |
| General obligation bonds                                 | \$ 23,436,000            | \$ 2,730,000 | \$ 2,383,000 | \$ 23,783,000            | \$ 2,549,000                      |
| <b>Massachusetts Water Pollution<br/>Abatement Trust</b> | 294,604                  | -            | 15,796       | 278,808                  | 16,180                            |
| <b>OPEB Obligation Payable</b>                           | 8,470,506                | 5,571,250    | -            | 14,041,756               | -                                 |
| <b>Compensated absences</b>                              | 452,340                  | 33,133       | 29,423       | 456,050                  | 368,546                           |
| Governmental activity                                    |                          |              |              |                          |                                   |
| Long-term liabilities                                    | \$ 32,653,450            | \$ 8,334,383 | \$ 2,428,219 | \$ 38,559,614            | \$ 2,933,726                      |
| <b>Business type activities:</b>                         |                          |              |              |                          |                                   |
| <b>Bond Payable:</b>                                     |                          |              |              |                          |                                   |
| General obligation bonds                                 | \$ 9,759,000             | \$ -         | \$ 842,000   | \$ 8,917,000             | \$ 836,411                        |
| <b>Massachusetts Water Pollution<br/>Abatement Trust</b> | 261,253                  | -            | 14,009       | 247,244                  | 7,937                             |
| <b>Compensated absences</b>                              | 56,948                   | 3,056        | 2,500        | 57,504                   | 31,047                            |
| Business-type activity long term                         |                          |              |              |                          |                                   |
| Long-term liabilities                                    | \$ 10,077,201            | \$ 3,056     | \$ 858,509   | \$ 9,221,748             | \$ 875,395                        |

**Massachusetts Water Pollution Abatement Trust (MWPAT)**

The Town is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$674,988 and interest costs of \$281,699 for two loans which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2011 for principal and interest combined for the loan is \$664,892. The net repayments, including interest, are scheduled to be \$606,078. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2011 principal and interest subsidies totaled \$6,181.

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2011 totaled \$18,876,278.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

The following is a computation of the legal debt limit as of June 30, 2011

|   |                     |                             |
|---|---------------------|-----------------------------|
| Equalized Valuation-Real Estate and<br>Personal Property (2010) |                     | \$ 1,921,310,100            |
| Debt Limit: 5 % of Equalized value                              |                     | <u>\$ 96,065,505</u>        |
| Total Debt Outstanding  | \$ 34,330,051       |                             |
| Less: Debt Outside Debt Limit                                   | <u>(15,453,773)</u> | <u>18,876,278</u>           |
| Inside Debt Excess Borrowing Capacity at<br>June 30, 2011       |                     | <u><u>\$ 77,189,227</u></u> |

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2011 and are not reflected in the Town's financial statements are as follows:

| <b>Date of<br/>Town Meeting<br/>Authorized</b> | <b>Purpose</b>                                     | <b>Amount</b>              |
|--|--|----------------------------|
| 5/2/2005                                       | Mountain View - new classroom exhaust              | \$ 302                     |
| 5/1/2006                                       | School remodeling                                  | 92                         |
| 5/1/2006                                       | Departmental equipment                             | 426                        |
| 5/1/2006                                       | School remodeling - elementary classrooms          | 25                         |
| 5/10/2007                                      | Meadowbrook school - replace motor and coils       | 221                        |
| 5/19/2008                                      | Health department - landfill Somers & Allen Street | 138,000                    |
| 5/17/2010                                      | Police cruisers                                    | 1,005                      |
| 5/16/2011                                      | Public Safety Radio update                         | 1,366,154                  |
|  |  | <u><u>\$ 1,506,225</u></u> |



**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

**G. Fund Balances**

The following is a summary of the Town's Governmental Fund fund balances at the year ended June 30, 2011:

|                                  | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----------------------------------|-------------------------|--|---|
| Restricted:                      |                         |  |   |
| Federal, state and local grants  | \$ -                    | \$ 784,075                                 | \$ 784,075                              |
| Community preservation funds     | -                       | 1,068,202                                  | 1,068,202                               |
| Donations and gifts              | -                       | 11,321                                     | 11,321                                  |
| Permanent funds                  | -                       | 21,992                                     | 21,992                                  |
| Revolving funds                  | -                       | 1,652,465                                  | 1,652,465                               |
| Other                            | -                       | 203,612                                    | 203,612                                 |
| Payment of Debt                  | -                       | 1,296,510                                  | 1,296,510                               |
| Capital projects                 |                         | 2,295,244                                  | 2,295,244                               |
|                                  | -                       | 7,333,421                                  | 7,333,421                               |
| Assigned:                        |                         |  |   |
| General government               | 324,924                 | -  | 324,924                                 |
| Public safety                    | 11,498                  | -  | 11,498                                  |
| Public works                     | 150,510                 | -  | 150,510                                 |
| Education                        | 443,020                 | -  | 443,020                                 |
| Health and Human Services        | 53                      | -  | 53                                      |
| Culture and Recreation           | 1,515                   | -  | 1,515                                   |
| Employee benefits and Insurance  | 9,809                   | -  | 9,809                                   |
| Subsequent year's budget         | 983,507                 | -  | 983,507                                 |
|                                  | 1,924,836               | -  | 1,924,836                               |
| Unassigned:                      | 5,459,683               | (3,023,185)                                | 2,436,498                               |
| Total Governmental fund balances | \$ 7,384,519            | \$ 4,310,236                               | \$ 11,694,755                           |

**H. Special Trust Funds**

**Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2011, the balance in the stabilization fund is \$1,588,294 and is reported in the General Fund as unassigned fund balance.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**4. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Contingent Liabilities**

**Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position.

**Federal Financial Assistance**

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

**C. Subsequent Event**

On October 29, 2011 a major snow storm caused significant damage in the Town. The Town estimates the costs for removal and extinguishment of debris, overtime and other storm related expenses to be \$1,200,000. The Town has applied to State and Federal emergency management agencies for relief aid for costs associated with this storm.

**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

The Town provides the following plan types, HNE HMO, BCBS Network Blue of NE, Tufts HMO, Blue Cross Elect PPO, Medex 3, Tufts Medicare Complement, HNE Medwrap Plan, Managed Blue for Seniors, Medicare HMO Blue and Tufts Medicare Preferred. The Town belongs to the Scantic Valley Regional Health Trust.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

An employee in Group 1 shall become eligible to retire under this plan upon meeting one of the following conditions:

1. Retirement at age 55 with 10 years of creditable service.
2. Retirement at any age with 20 years of creditable service.

Employees will pay 50% of premiums in retirement.

-The Town also pays 50% of the retiree life insurance premium.

The number of participants as of December 31, 2009, the effective date of the OPEB valuation, follows:

|                |                   |
|----------------|-------------------|
| Active members | 305               |
| Retirees       | <u>377</u>        |
| Total          | <u><u>682</u></u> |

### **Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2011 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,965,639.

### **Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

|  |                             |
|--|-----------------------------|
| Normal Cost  | \$ 3,943,094                |
| Amortization of unfunded actuarial accrued liability | <u>3,563,489</u>            |
| Annual required contribution                         | 7,506,583                   |
| Interest on net OPEB obligation                      | 338,820                     |
| Adjustment to annual required contribution           | <u>(308,514)</u>            |
| Annual OPEB cost (expense)                           | 7,536,889                   |
| Contributions made during the fiscal year            | <u>1,965,639</u>            |
| Increase in net OPEB obligation                      | 5,571,250                   |
| Net OPEB Obligation - beginning of year              | 8,470,506                   |
| Net OPEB Obligation - end of year                    | <u><u>\$ 14,041,756</u></u> |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the two preceding years were as follows:

| <b>Fiscal Year Ended</b> | <b>Annual OPEB Cost</b> | <b>Percentage Annual OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
|--------------------------|-------------------------|--|----------------------------|
| 6/30/2009                | \$ 4,677,455            | 33.65%   | \$ 3,103,455               |
| 6/30/2010                | \$ 7,121,398            | 24.63%   | \$ 8,470,506               |
| 6/30/2011                | \$ 7,536,889            | 26.08%   | \$14,041,756               |

**Funded Status and Funding Process**

As of December 31, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$93,937,482, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$93,937,482. The covered payroll (annual payroll of active employees covered by the plan) was not available or the ratio of the UAAL

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets (A)</b> | <b>Accrued Liability (AAL) Entry Aid (B)</b> | <b>Unfunded AAL (UAAL) (B-A)</b> | <b>Funded Ratio (A/B)</b> | <b>Covered Payroll (C)</b> | <b>Percentage of Covered Payroll ((B-A)/C)</b> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 12/31/07                        | \$ -                                 | \$ 61,704,179                                | \$ 61,704,179                    | 0%                        | N/A                        | N/A  |
| 12/31/09                        | \$ -                                 | \$ 93,937,482                                | \$ 93,937,482                    | 0%                        | N/A                        | N/A  |

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation as of December 31, 2009, used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. The actuarial assumptions also include a investment rate of return of 4.0%, a general inflation of 3.50% per annum and medical/drug cost trend rate at 9.0% decreasing by 0.75% for 5 years and by 0.25% for 1 year to an ultimate level of 5.00% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2011 is 27 years.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**E. Pension Plan**

**Plan Description**

The Town, as a member of the Hampden County Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Hampden County Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll.

Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$4,472,242 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The System and the teachers' retirement system provide retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Hampden County Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 67 Hunt Street, Suite 116, Agawam, Massachusetts.

**Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2011, 2010, and 2009 is shown below, which equaled its required contribution for each fiscal year.

| <b>Year<br/>Ended<br/>June 30</b> | <b>Town's<br/>Contribution</b> |
|-----------------------------------|--------------------------------|
| 2011                              | \$ 1,834,439                   |
| 2010                              | \$ 1,768,692                   |
| 2009                              | 1,731,955                      |

The last actuarial valuation was prepared by The Segal Group, Inc., as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.25% compounded annually, (b) projected salary, including longevity, increases of 4.5% per year per member.

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2010 is as follows:

|                              |                              |
|------------------------------|------------------------------|
| Actuarial Accrued Liability  | \$ 422,756,972               |
| Assets                       | <u>220,585,830</u>           |
| Unfunded Actuarial Liability | <u><u>\$ 202,171,142</u></u> |

The Town's portion of such liability is approximately 11.29% or \$22,825,122.

**Reporting Policies**

The funds of the Hampden County Regional Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

**5. REINSTATEMENT**

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General Fund increased by \$1,753,163 to \$7,396,224 to reflect the Stabilization Fund in the General Fund and the beginning fund balance of the stabilization fund (a prior major fund) was decreased by \$1,753,163.

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|  | Fund Balances       |                     | Revenues            |                     | Expenditures | Other Financing Sources (Uses) |           | Fund Balances       |
|--|---------------------|---------------------|---------------------|---------------------|--------------|--------------------------------|-----------|---------------------|
|  | July 1, 2010        | June 30, 2011       |                     |                     |              |                                |           | June 30, 2011       |
| <b>Special Revenue:</b>                    |                     |                     |                     |                     |              |                                |           |                     |
| <b>Federal and State Grants:</b>           |                     |                     |                     |                     |              |                                |           |                     |
| School Grants                              | \$ 118,910          | \$ 2,881,574        | \$ 2,645,225        | \$ -                | \$ -         |                                | \$ -      | \$ 355,259          |
| Arts Lottery Council Grants                | 10,995              | 3,996               | 4,180               | -                   | -            |                                | -         | 10,811              |
| Board of Health Grants                     | 23,325              | -                   | 10,290              | -                   | -            |                                | -         | 13,035              |
| Clean Energy Choice Program                | 6,715               | -                   | 487                 | -                   | -            |                                | -         | 6,228               |
| Council on Aging Grants                    | 1,517               | 45,484              | 45,572              | -                   | -            |                                | -         | 1,429               |
| Extended Polling Hours                     | 16,373              | 2,088               | -                   | -                   | -            |                                | -         | 18,461              |
| Highway Grants                             | -                   | 8,283               | 8,283               | -                   | -            |                                | -         | -                   |
| Library Grants                             | 87,230              | 28,366              | 35,249              | -                   | -            |                                | -         | 80,347              |
| Other Grants and Programs                  | 21,781              | 5,001               | -                   | -                   | -            |                                | -         | 26,782              |
| Public Safety Grants                       | 2,718               | 18,391              | 22,243              | -                   | -            |                                | -         | (1,134)             |
| <b>Schools:</b>                            |                     |                     |                     |                     |              |                                |           |                     |
| School Lunch Program                       | 170,209             | 797,735             | 763,491             | -                   | -            |                                | -         | 204,453             |
| School Busing                              | 18,666              | 192,166             | 173,683             | -                   | -            |                                | -         | 37,149              |
| School Gifts and Donations                 | 14,689              | 22,316              | 23,875              | -                   | -            |                                | -         | 13,130              |
| School Revolving Accounts                  | 266,660             | 786,041             | 583,858             | (212,610)           | -            |                                | -         | 256,233             |
| State Special Education Reimbursement Fund | 164,474             | 457,737             | 349,354             | -                   | -            |                                | -         | 272,857             |
| <b>Other:</b>                              |                     |                     |                     |                     |              |                                |           |                     |
| Cable Access Revolving                     | 404,505             | 292,533             | 116,003             | -                   | -            |                                | -         | 581,035             |
| Center Hill Park Revolving                 | 1,263               | -                   | -                   | -                   | -            |                                | -         | 1,263               |
| Community Preservation Fund                | 860,319             | 260,818             | 27,934              | (25,000)            | -            |                                | -         | 1,068,203           |
| Council on Aging Revolving                 | -                   | 53,495              | 48,687              | -                   | -            |                                | -         | 4,808               |
| Dog Fund Revolving                         | 37,431              | 16,963              | 7,043               | -                   | -            |                                | -         | 47,351              |
| Flu Shots Revolving                        | 4,050               | 210                 | 1,155               | -                   | -            |                                | -         | 3,105               |
| Gifts and Donations                        | 11,424              | 1,878               | 1,981               | -                   | -            |                                | -         | 11,321              |
| Insurance Reimbursements                   | 83,715              | 152,574             | 170,675             | -                   | -            |                                | -         | 65,614              |
| Library Revolving Funds                    | 736                 | 4,959               | 4,770               | -                   | -            |                                | -         | 925                 |
| Reserve for Payment of Debt - MSBA         | 1,367,036           | -                   | -                   | (70,526)            | -            |                                | -         | 1,296,510           |
| Parking Tickets Revolving                  | 16,434              | 170                 | -                   | -                   | -            |                                | -         | 16,604              |
| Police Off Duty Details                    | 4,564               | 148,012             | 152,576             | -                   | -            |                                | -         | -                   |
| Recreation Revolving                       | 307,514             | 389,400             | 437,592             | -                   | -            |                                | -         | 259,322             |
| Trash Revolving                            | 158,069             | 117,773             | 9,304               | (150,000)           | -            |                                | -         | 116,538             |
| Wetlands Protection Act                    | 45,186              | 842                 | 1,094               | -                   | -            |                                | -         | 44,934              |
| <b>Special Revenue Page 50</b>             | <b>\$ 4,226,508</b> | <b>\$ 6,688,805</b> | <b>\$ 5,644,604</b> | <b>\$ (458,136)</b> | <b>\$</b>    |                                | <b>\$</b> | <b>\$ 4,812,573</b> |



**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|                                      | Fund Balances         |           | Revenues         |           | Expenditures        |           | Other Financing Sources (Uses) |           | Fund Balances |                     |
|--------------------------------------|-----------------------|-----------|------------------|-----------|---------------------|-----------|--------------------------------|-----------|---------------|---------------------|
|                                      | July 1, 2010          |           |                  |           |                     |           |                                |           | June 30, 2011 |                     |
| <b>Continued from Page 50</b>        | \$                    | 4,226,508 | \$               | 6,688,805 | \$                  | 5,644,604 | \$                             | (458,136) | \$            | 4,812,573           |
| <b>Special Revenue (continued):</b>  |                       |           |                  |           |                     |           |                                |           |               |                     |
| Other (continued):                   |                       |           |                  |           |                     |           |                                |           |               |                     |
| Ambulance Fund                       | 46                    |           | -                |           | -                   |           |                                |           |               | 46                  |
| Conservation Funds                   | 36,248                |           | (267)            |           |                     |           |                                |           |               | 35,981              |
| Council on Aging Funds               | 48,119                |           | 11,420           |           | 23,435              |           |                                |           |               | 36,104              |
| Friends of Heritage Park             | 294                   |           | (2)              |           |                     |           |                                |           |               | 292                 |
| Historical Commission                | 5,908                 |           | 419              |           |                     |           |                                |           |               | 6,327               |
| Pension Reserve Fund                 | 108,624               |           | (800)            |           |                     |           |                                |           |               | 107,824             |
| Police Gymnasium Fund                | 530                   |           | 100              |           | 632                 |           |                                |           |               | (2)                 |
| Recreation Fund                      | 14,714                |           | 269              |           | 3,000               |           |                                |           |               | 11,983              |
| Shaker Road Relief Fund              | 3,863                 |           | -                |           |                     |           |                                |           |               | 3,863               |
| Town Beautification Fund             | 328                   |           | (2)              |           |                     |           |                                |           |               | 326                 |
| Traffic Signal Fund                  | 805                   |           | (6)              |           |                     |           |                                |           |               | 799                 |
| Unemployment Compensation Fund       | 70                    |           | (1)              |           |                     |           |                                |           |               | 69                  |
| <b>Total Special Revenue Funds</b>   | <b>4,446,057</b>      |           | <b>6,699,935</b> |           | <b>5,671,671</b>    |           | <b>(458,136)</b>               |           |               | <b>5,016,185</b>    |
| <b>Capital Projects:</b>             |                       |           |                  |           |                     |           |                                |           |               |                     |
| Department of Public Works Equipment | (170,063)             |           | -                |           | 12,392              |           | 55,000                         |           |               | (127,455)           |
| Fire Department Projects             | 67,395                |           | -                |           | 9,857               |           | -                              |           |               | 57,538              |
| GIS Project                          | (358)                 |           | -                |           | -                   |           | -                              |           |               | (358)               |
| Information Technology Connectivity  | (51,544)              |           | -                |           | 336,524             |           | 345,000                        |           |               | (43,068)            |
| Landfill Projects                    | 116,800               |           | -                |           | 775                 |           | -                              |           |               | 116,025             |
| Munis Financial Software             | 17,856                |           | -                |           | 9,237               |           | -                              |           |               | 8,619               |
| Police Projects                      | (44,136)              |           | -                |           | 75,570              |           | 70,000                         |           |               | (49,706)            |
| Purchase of Land                     | (1,250,000)           |           | -                |           | -                   |           | -                              |           |               | (1,250,000)         |
| Recreation Projects                  | (9,451)               |           | -                |           | 33,944              |           | -                              |           |               | (43,395)            |
| Road Projects                        | 39,750                |           | -                |           | -                   |           | -                              |           |               | 39,750              |
| Roof Repairs                         | 7,324                 |           | -                |           | -                   |           | -                              |           |               | 7,324               |
| School Improvement Projects          | (428,667)             |           | -                |           | 1,142,827           |           | 1,985,000                      |           |               | 413,506             |
| Senior Center Projects               | 112,406               |           | -                |           | 221,260             |           | 200,000                        |           |               | 91,146              |
| Sidewalk Construction                | (68,744)              |           | -                |           | 2,450               |           | 75,000                         |           |               | 3,806               |
| <b>Capital Projects Page 51</b>      | <b>\$ (1,661,432)</b> |           | <b>\$ -</b>      |           | <b>\$ 1,844,836</b> |           | <b>\$ 2,730,000</b>            |           |               | <b>\$ (776,268)</b> |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

|   | Fund Balances<br>July 1, 2010 | Revenues            | Expenditures        | Other Financing<br>Sources (Uses) | Fund Balances<br>June 30, 2011 |
|---|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Continued from Page 51</b>               | \$ (1,661,432)                | \$ -                | \$ 1,844,836        | \$ 2,730,000                      | \$ (776,268)                   |
| Town and School Improvements                | 67                            | -                   | -                   | -                                 | 67                             |
| Selectmen Record & Storage Filing System    | 11,469                        | -                   | 1,640               | -                                 | 9,829                          |
| Town Communication                          | 931                           | -                   | -                   | -                                 | 931                            |
| Town Hall Projects                          | 37,500                        | -                   | -                   | -                                 | 37,500                         |
| <b>Total Capital Projects</b>               | <b>\$ (1,611,465)</b>         | <b>\$ -</b>         | <b>\$ 1,846,476</b> | <b>\$ 2,730,000</b>               | <b>\$ (727,941)</b>            |
| <b>Permanent Funds:</b>                     |                               |                     |                     |                                   |                                |
| Cemetery Funds                              | \$ 2,778                      | \$ (21)             | \$ -                | \$ -                              | \$ 2,757                       |
| Library Funds                               | 18,255                        | 8,324               | 7,344               | -                                 | 19,235                         |
| <b>Total Permanent Funds</b>                | <b>21,033</b>                 | <b>8,303</b>        | <b>7,344</b>        | <b>-</b>                          | <b>21,992</b>                  |
| <b>Total - Non-Major Governmental Funds</b> | <b>\$ 2,855,625</b>           | <b>\$ 6,708,238</b> | <b>\$ 7,525,491</b> | <b>\$ 2,271,864</b>               | <b>\$ 4,310,236</b>            |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES AND  
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE  
JULY 1, 2010 TO JUNE 30, 2011**

|                           | Uncollected<br>Taxes<br>July 1, 2010 | Commitments       | Abatements<br>and<br>Adjustments | Collections Net<br>of Refunds and<br>Overpayments | Uncollected<br>Taxes<br>June 30, 2011 | Uncollected<br>Taxes<br>Per Detail<br>June 30, 2011 |
|---------------------------|--------------------------------------|-------------------|----------------------------------|---|---------------------------------------|---|
| <b>Real Estate Taxes:</b> |                                      |                   |                                  |   |                                       |   |
| Levy of 2011              | \$ -                                 | \$ 31,090,018     | \$ 177,674                       | \$ 30,260,500                                     | \$ 651,844                            | \$ 651,844  |
| Levy of 2010              | 708,221                              | 11,368            | 12,720                           | 407,970   | 298,899                               | 298,899   |
| Levy of 2009              | 258,150                              | -                 | 75,256                           | 126,350   | 56,544                                | 56,544  |
| Levy of 2008              | 157,368                              | -                 | 77,359                           | 79,736  | 273                                   | 273   |
| Levy of 2007              | 6,013                                | -                 | 311                              | 5,770   | (68)                                  | (68)  |
| Prior Years               | 55,665                               | -                 | 493                              | (1,441)   | 56,613                                | 56,613  |
|                           | <u>1,185,417</u>                     | <u>31,101,386</u> | <u>343,813</u>                   | <u>30,878,885</u>                                 | <u>1,064,105</u>                      | <u>1,064,105</u>                                    |

**Personal Property Taxes:**

|              |               |                |              |                |               |               |
|--------------|---------------|----------------|--------------|----------------|---------------|---------------|
| Levy of 2011 | -             | 688,640        | 413          | 677,433        | 10,794        | 10,794        |
| Levy of 2010 | 12,182        | -              | (44)         | 3,444          | 8,782         | 8,782         |
| Levy of 2009 | 2,260         | -              | -            | (227)          | 2,487         | 2,487         |
| Levy of 2008 | (288)         | -              | -            | 16             | (304)         | (304)         |
| Levy of 2007 | 1,951         | -              | -            | -              | 1,951         | 1,951         |
| Prior Years  | 19,003        | -              | 3,132        | 328            | 15,543        | 15,543        |
|              | <u>35,108</u> | <u>688,640</u> | <u>3,501</u> | <u>680,994</u> | <u>39,253</u> | <u>39,253</u> |

**Total Real Estate and Personal  
Property Taxes**

|    |                  |                      |                   |                      |                     |                     |
|----|------------------|----------------------|-------------------|----------------------|---------------------|---------------------|
| \$ | <u>1,220,525</u> | <u>\$ 31,790,026</u> | <u>\$ 347,314</u> | <u>\$ 31,559,879</u> | <u>\$ 1,103,358</u> | <u>\$ 1,103,358</u> |
|----|------------------|----------------------|-------------------|----------------------|---------------------|---------------------|

**Deferred Property Taxes**

|    |               |             |                |             |                  |                  |
|----|---------------|-------------|----------------|-------------|------------------|------------------|
| \$ | <u>27,425</u> | <u>\$ -</u> | <u>\$ (50)</u> | <u>\$ -</u> | <u>\$ 27,475</u> | <u>\$ 27,475</u> |
|----|---------------|-------------|----------------|-------------|------------------|------------------|

**Non-Major Governmental Funds:  
Community Preservation Surcharge:**

|              |              |                   |                 |                   |                 |                 |
|--------------|--------------|-------------------|-----------------|-------------------|-----------------|-----------------|
| Levy of 2011 | -            | 205,547           | 1,681           | 203,749           | 117             | 117             |
| Levy of 2010 | 947          | 75                | 81              | (608)             | 1,549           | 1,549           |
| Levy of 2009 | 722          | -                 | 402             | 13                | 307             | 315             |
| Levy of 2008 | 815          | -                 | 396             | 419               | -               | -               |
| Levy of 2007 | 40           | -                 | -               | 40                | -               | -               |
|              | <u>2,524</u> | <u>\$ 205,622</u> | <u>\$ 2,560</u> | <u>\$ 203,613</u> | <u>\$ 1,973</u> | <u>\$ 1,981</u> |

**TOWN OF EAST LONGMEADOW, MASSACHUSETTS**  
**SCHEDULE OF MOTOR VEHICLE EXCISE, BOAT EXCISE AND FARM ANIMAL EXCISE TAXES**  
**JULY 1, 2010 TO JUNE 30, 2011**

|   | Uncollected<br>Taxes<br>July 1, 2010 | Commitments  | Abatements<br>and<br>Adjustments | Collections Net<br>of Refunds and<br>Overpayments | Uncollected<br>Taxes<br>June 30, 2011 | Uncollected<br>Taxes<br>Per Detail<br>June 30, 2011 |
|---|--------------------------------------|--------------|----------------------------------|---|---------------------------------------|---|
| <b>Motor Vehicle Excise Taxes:</b>  |                                      |              |                                  |   |                                       |   |
| Levy of 2011  | \$ -                                 | \$ 1,604,842 | \$ 28,491                        | \$ 1,492,803                                      | \$ 83,548                             | \$ 83,548   |
| Levy of 2010  | 67,139                               | 190,034      | 19,098                           | 218,082   | 19,993                                | 19,993  |
| Levy of 2009  | 18,687                               | 622          | 1,074                            | 10,132  | 8,103                                 | 8,103   |
| Levy of 2008  | 10,658                               | -            | 49                               | 2,660   | 7,949                                 | 7,949   |
| Levy of 2007  | 5,780                                | -            | -                                | 534   | 5,246                                 | 5,246   |
| Prior Years   | 18,982                               | -            | 95                               | 832   | 18,055                                | 18,055  |
|   | 121,246                              | 1,795,498    | 48,807                           | 1,725,043   | 142,894                               | 142,894   |
| <b>Boat Excise Taxes:</b>   |                                      |              |                                  |   |                                       |   |
| Levy of 2011  | -                                    | 2,898        | 250                              | 2,556   | 92                                    | 92  |
| Levy of 2009  | 560                                  | -            | -                                | 281   | 279                                   | 279   |
| Levy of 2008  | 543                                  | -            | -                                | 15  | 528                                   | 528   |
| Levy of 2007  | 435                                  | -            | -                                | -   | 435                                   | 435   |
| Levy of 2006  | 375                                  | -            | -                                | 50  | 325                                   | 325   |
| Prior Years   | 1,105                                | -            | -                                | 50  | 1,055                                 | 1,055   |
|   | 3,018                                | 2,898        | 250                              | 2,952   | 2,714                                 | 2,714   |
| <b>Farm Animal Excise Taxes</b>   |                                      |              |                                  |   |                                       |   |
|   | 75                                   | -            | -                                | 75  | -                                     | -   |
| <b>Total Motor Vehicle Excise, Boat Excise<br/>and Farm Animal Excise Taxes</b> |                                      |              |                                  |   |                                       |   |
|   | \$ 124,339                           | \$ 1,798,396 | \$ 49,057                        | \$ 1,728,070                                      | \$ 145,608                            | \$ 145,608  |

TOWN OF EAST LONGMEADOW, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2010 TO JUNE 30, 2011

|                                   | Uncollected<br>Accounts<br>July 1, 2010 | Commitments | Abatements<br>and<br>Adjustments | Collections Net<br>of Refunds and<br>Overpayments | Uncollected<br>Accounts<br>June 30, 2011 | Uncollected<br>Accounts<br>Per Detail<br>June 30, 2011 |
|-----------------------------------|---|-------------|----------------------------------|---|--|--|
| Tax Liens                         | \$ 140,485                              | \$ 204,388  | \$ 9,313                         | \$ 39,796   | \$ 295,764                               | \$ 295,672   |
| Non-Major Governmental Funds:     |   |             |                                  |   |  |  |
| Community Preservation Surcharge: |   |             |                                  |   |  |  |
| Tax Liens                         | \$ -                                    | \$ -        | \$ (806)                         | \$ -  | \$ 806                                   | \$ 806   |